A History of Reverse Mortgages

How did reverse mortgages develop?

Did you know the first reverse mortgage was originated in 1961?

Follow the timeline to see how the product developed.

The reverse mortgage timeline:

1961

The first reverse mortgage is originated at Deering Savings & Loan in Portland, Maine.

Maine

1969

In testimony before the Senate Committee on Aging, a UCLA professor recommends the idea of reverse mortgages as a form of housing annuity.

1975

Researchers at The Wharton School study the potential of reverse mortgages.

1980s

1982: The Special Committee on Aging agrees that homeowners need access to their home equity.

1984: American Homestead announces The Century Plan, which set the stage for government-insured reverse mortgages.

1987: The Home Equity Conversion Program is established as a pilot project at the U.S. Department of Housing and Urban development (HUD).

1988: Home Equity Conversion Mortgages (HECMs) are insured through the Federal Housing Administration (FHA).

1989: James B. Nutter & Company of Kansas City closes the first FHA-insured reverse mortgage.

1990s

1990: The one-year anniversary of HECMs. HUD raises the cap on insurable loans from 2,500 to 25,000 mortgages through 1995.

1994: Congress requires TALC (total annual loan cost) disclosures be provided to consumers, allowing them to shop for lenders.

25,000
Number of allowable loans as of 1990

1995: Lenders are closing 300 to 400 loans per month.

1996: Congress raises the cap on insured loans to 30,000 through 1996 and to 50,000 through 2000.

1997: The National Reverse Mortgage Lenders Association forms. Median borrower age is 72.

1998: The HUD Appropriations Act makes the HECM pilot a permanent program. Fee disclosures and education safeguards for consumers are created.

150,000
Number of allowable loans as of 1998

1999: Financial Freedom develops its Cash Account, which becomes the most widely used HECM product.

2000s

2000: HUD reports that borrowers are satisfied with the reverse mortgage product and loan volume is growing.

2004: FHA implements rules for HECM refinancing.

250,000
Number of allowable loans as of 2005

2005: The first refinances take place. Loan originations increase to 50,000 per year.

2006: Wall Street enters the HECM market, sparking competitive interest rates. 84,000 loans are originated.

2007: Ginnie Mae securities are introduced. 87 percent of borrowers choose lines of credit vs. 13 percent who choose monthly disbursements.

2008: HUD announces a "turning point" in HECM history with the origination of 100,000 loans. The SAFE Act is established, requiring states to use uniform regulatory procedures for HECM loan originators. Ginnie Mae releases its fixed-rate lump-sum loan product.

275,000
Number of allowable loans as of 2006

2009: HECMs reach 115,000. The loan limit is increased to $625,500. More than 60 percent of borrowers choose Ginnie Mae's fixed-rate, lump-sum option. Ginnie Mae overtakes Fannie Mae, increasing from $1.36 million in 2008 to $8.54 million in loans.

2008
The housing bubble bursts.

2010s

2010: The HECM Saver is introduced, limiting homeowners' access to a smaller percentage of home equity. Ginnie Mae's volume is $11 billion. Generation Mortgage Company introduces the only proprietary HECM loan product.

2012: The Dodd-Frank Act transfers authority for HECMs to the Consumer Financial Protection Bureau.

2013: The HECM Standard and Saver are combined into a single reverse mortgage option. HUD set new safeguards for consumers, including higher mortgage insurance premiums for borrowing more than 60 percent of a home's value.

2014: Safeguards are instituted to protect non-borrowing spouses, which include Principal Limit Factors (PLFs).

2015 to present

2015: Safeguards for non-borrowing spouses are revised. Financial assessments are instituted to ensure borrowers' fitness for HECMs. For borrowers who don't pass the financial assessment, the Life Expectancy Set-Aside (LESA) was created to ensure their property taxes and insurance are paid.

Sources:

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